

THE CHANGING LABOUR MARKET IN SCOTLAND

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Introduction

Without doubt, the recession which began in late 1979 had a traumatic effect on the Scottish labour market. Unemployment rose dramatically to top the 300,000 level. There were a number of major plant closures: these contributed to a rapid fall in the level of employment, particularly in the manufacturing sector. Vacancies dropped to very low levels: by December 1981, there were 26 people unemployed for each vacancy notified to the employment offices. This chapter surveys these developments and sets them within the broader context of the difficulties caused by the world recession.

Economic Trends 1980-1982

The UK economy was already in deep recession by the beginning of 1981. Industrial production had been falling sharply since mid 1979. This was the result of weakening demand pressures abroad coupled with the severe squeeze placed on the domestic economy by the government's monetary policies.

The manufacturing sector bore the brunt of the recession. With profit margins already eroded by high wage settlements and interest charges during 1980, manufacturers responded by rapidly running down their stocks, thus easing their cash flow difficulties. With demand being met from stocks rather than production, output plummeted. By the end of 1981, the level of stocks held in the economy was £4.3bn lower at 1975 prices than it had been at the beginning of 1980. Over the same period manufacturing production fell by nearly 11%, a more rapid decline than had occurred during the great depression.

In Scotland, the position was much the same. Desperate for the cash necessary for survival, firms cut back on investment and reduced

stocks. Some did not succeed. British Aluminium (Invergordon), Keiller (Dundee), Sunbeam (East Kilbride), Robb-Caledon (Dundee) and Talbot (Linwood), were amongst the casualties. There were many more, smaller and less newsworthy, who failed to make the grade in 1981. Scottish manufacturing output spiralled downward: by 2nd quarter 1981 it was 8% down on its level at the beginning of 1980. The Scottish CBI were pessimistic about business prospects. On average, a balance of 12% of their respondents in 1981 felt the business situation was worsening. The CBI leadership called for limited reflation to bolster their members' sagging order books.

Nevertheless, by early 1982, there were slight glimmers of hope that the tide had turned. It seemed that the low point of the recession had been reached in the second quarter of 1981. A small, but perceptible, increase in output occurred in the third and fourth quarters. The rate of destocking declined sharply and business optimism improved. At last there seemed to be prospects for a return to economic growth following the catastrophic decline of 6% in UK GDP between the first quarter 1980 and the second quarter 1981.

The modest revival in the UK economy in the latter part of 1981 brought no immediate prospect of improvement in the labour market however. The labour market tends to react rather slowly to changes in the demand for goods and services. Employers are normally reluctant to lay off workers, particularly skilled workers, until they are convinced that the downturn in demand for their product is permanent. Likewise, when there is an improvement in demand, employers do not immediately hire new workers, with all the commitments (written and unwritten) which that entails. Instead they hold back, delaying the decision to hire until convinced that increased demand will not suddenly evaporate.

Thus, the response of the labour market tends to lag behind developments in the economy as a whole. However, the almost complete deterioration in firms' trading positions during 1980 and early 1981 did bring about an unusually quick, though negative, adjustment in the labour market. When firms' very survival is at stake, they cannot afford the luxury of delaying a decision on manning levels: the decision to reduce staff must be taken abruptly.

The 'shake-out' of labour in 1980 and 1981 was, if anything, more dramatic than the fall in production. Between first quarter 1980 and

last quarter 1981, UK manufacturing output fell by 11%: but manufacturing employment fell by a massive 15%. The least efficient firms fell by the wayside and consequently average levels of productivity rose substantially. Output per worker grew more rapidly in the UK than in its major industrial competitors. While the government had highlighted the improvement in productivity as a vindication of its policies, the overall cost in lost jobs has not been given the same attention.

On the supply side of the labour market, there was still a considerable problem which stemmed from the 'baby boom' in the early to mid sixties. The rapid increase in births during this period, which occurred throughout Europe, has resulted in a considerable 'bulge' in new entrants to the labour market. The inexperienced and unskilled are at a considerable disadvantage when the labour market is slack, hence the rapid rise in youth unemployment. Government schemes to expand training and employment opportunities have been stepped up in order to improve young people's prospects on the job market. But there is considerable doubt whether these schemes provide a long-term solution rather than a short-term palliative.

The coincidence of this rapid increase in labour supply along with the slackness in labour demand resulted in a rapid rise in unemployment during 1980 and 1981, to post-war record levels. In the UK, unemployment climbed inexorably toward the 3 million level, while in Scotland the unemployment rate rose dramatically. Having averaged 8% in 1979, it had risen to 15.3% by January 1982.

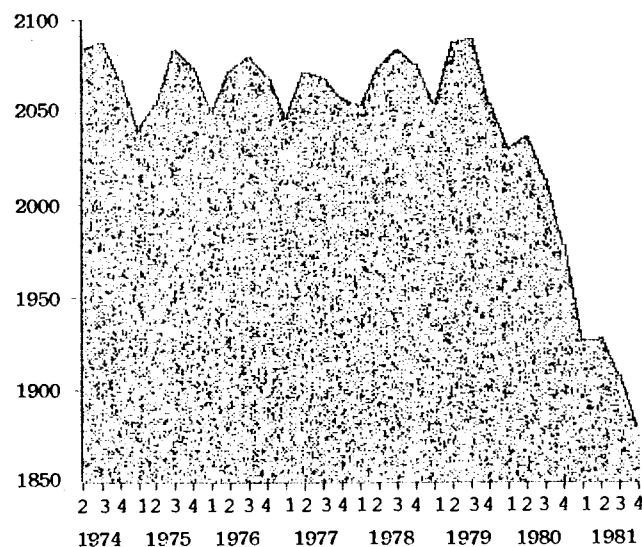
Of course, aggregate figures conceal different experiences in different parts of the economy and for different groups of workers. Having given a rather broad brush outline of recent events, we may now look in more detail at developments in the Scottish labour market. This is best achieved by examining firstly demand conditions, secondly the behaviour of supply and finally the characteristics of the unemployed. While these aspects of the labour market are undoubtedly interdependent, this classification is a useful means of organising the available information.

The Demand for Labour

Between December 1980 and December 1981 the number of employees in employment fell by almost exactly 100 thousand to 1878 thousand, a fall of 5% in a single year. During the sixties and seventies Scottish

employment remained almost constant, at just over the 2 million mark: the gradual decline in the manufacturing sector being almost exactly offset by the expansion of services. In December 1980 it dipped below 2 million and since then the decline has been dramatic (see Fig.1). The chronic liquidity problems of Scottish and UK businesses, mentioned earlier, are the root cause of this sudden 'shake-out'. Lack of demand and competitiveness made a radical adjustment in the labour market inevitable.

FIGURE 1 TOTAL EMPLOYMENT IN SCOTLAND - THOUSANDS



The manufacturing sector shed labour most rapidly with 44 thousand jobs disappearing during 1981: only one in every 4 Scottish workers is now employed in manufacturing. By December 1981, the number employed in this sector was 472 thousand. In 1974 there were 676 thousand manufacturing workers: it is clear that the process of deindustrialisation is now well advanced in Scotland. All the various government assistance schemes have failed to halt the decline in Scottish manufacturing industry.

The overall weakness in labour demand during 1981 was further compounded by the failure of the service sector to expand in the fashion

which had become usual during the seventies. Indeed, service employment actually fell by 30 thousand during 1981. Compared with its previous trend this outcome is even more remarkable than the dismal performance of the manufacturing sector. The underlying causes of the decline are, however, much the same. General weakness of demand and constraints on government spending have weakened the trading position of the service sector. Just as in manufacturing, there is considerable pressure on service employers to improve productivity in order to bolster profitability. Until recently it has been notoriously difficult to increase the productivity of service sector workers. However, the introduction of new technology based on microprocessors perhaps poses a greater threat to secretarial and clerical workers than it does to manual operatives. The reduction of 20 thousand in employment in financial and professional services during 1981 may well be indicative of this effect as banks and other financial institutions introduce new labour-saving devices in their operations.

Perhaps the most depressed of all Scottish industries during 1981, however, was construction. Extremely hard hit by a long sequence of cut-backs in government capital spending, Scottish construction output had fallen to 71% of its 1975 level by the third quarter of 1981. The reduction in local authority housing starts has been even more dramatic. In 1975 approximately 12,300 local authority houses were started: in 1980 the number started had fallen to 2,800. Weakness of demand in the private sector as a result of soaring interest rates further contributed to the reduction in construction employment from 159 thousand to 134 thousand during 1981.

Within manufacturing, weakening demand in the food and drink industries led to a fall of 6,000 jobs during 1981. The drinks industries were particularly hard hit with a reduction of 600 at Scottish and Newcastle breweries in Edinburgh. Many whisky distilleries worked short-time and some closed completely, causing severe problems in rural areas where there is little alternative employment. The textile industry has also encountered difficulties and employment fell by 9 thousand to 68 thousand during 1981. No part of the industry was impervious to decline: carpet making foundered in Dundee and Kilmarnock, and even the high quality knitwear industries in the Borders shed a considerable amount of labour.

The engineering industries also continued to decline. British

Leyland, Talbot, Rolls Royce, Caterpillar Tractor, Robb Caledon and Burroughs were amongst the illustrious names who announced redundancies during 1981. These contributed to the fall in total engineering employment from 212 thousand to 193 thousand over the period. While there was encouraging news of expansion from some electronics companies such as NEC and Motorola, most industrialists do not foresee any general improvement in employment prospects for some time to come.

In the North Sea Oil industry, however, prospects were more hopeful. Employment rose by 3.3 thousand to 49.6 thousand between June 1980 and June 1981, mostly as a result of the continuing expansion of servicing facilities. The need for such facilities had been somewhat underestimated in the initial stages of oil development. Geographically concentrated in the Grampian and Highland regions, they have played a major role in enabling these areas to avoid the worst effects of the recession. Notwithstanding the successes in electronics and the oil industry, the overall employment picture during 1981 was bleak and there was no prospect of any significant recovery during 1982.

It is further worth noting that, because the sex ratio varies from industry to industry, the decline in employment has not been uniform for males and females. Females are concentrated in the service sector, whereas males have a stronger representation in manufacturing, construction and the utilities. Although, as mentioned earlier, the employment performance of the service sector during 1981 was very poor in relation to historic trends, the greatest absolute falls in employment occurred in those industries dominated by males. Over 70% of employees who lost their jobs between December 1980 and December 1981 were male. Males comprise a continuously declining proportion of the workforce: by the beginning of 1982 only 56% of total employees were male. Interestingly the recession has had only a marginal impact on the number of females employed part-time. The low cost and flexibility of part-time workers have probably been important factors in their favour: employers are deliberately increasing the proportion of part-timers for the sound economic reason that they provide the most cost-effective method of meeting their requirements.

The consideration of part-time labour brings home the point that the demand for labour is not measured simply by the level of employment. The number of hours employees work is another vital component of this demand. Scots workers have tended to work a greater number of

hours than their counterparts elsewhere in Great Britain. Herein lies the explanation of why male manual workers in Scotland tend to earn slightly above the GB average.

Standard weekly wages are slightly lower in Scotland than in GB as a whole. But because Scots male manual workers tend to work slightly more overtime, their average earnings are marginally greater. Overtime payments do not make such a significant contribution to the earnings of females and non-manual males. The relevant figures for April 1981 are shown in Table 1.

TABLE 1 AVERAGE GROSS WEEKLY EARNINGS, APRIL 1981

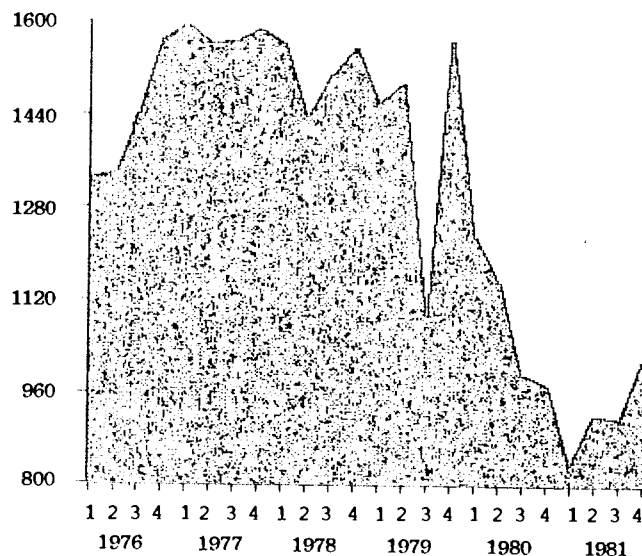
| | AVERAGE WEEKLY EARNINGS | |
|------------------------|-------------------------|----------------------------|
| | TOTAL £ | OVERTIME PAY INCLUDED £ |
| SCOTLAND | | |
| All full-time men | 140.0 | 12.3 |
| Full-time manual men | 124.8 | 17.0 |
| All full-time women | 87.1 | 1.5 |
| Full-time manual women | 73.3 | 2.6 |
| GREAT BRITAIN | | |
| All full-time men | 140.5 | 10.2 |
| Full-time manual men | 121.9 | 14.8 |
| All full-time women | 91.4 | 1.4 |
| Full-time manual women | 74.5 | 2.4 |

Source: New Earnings Survey, 1981

Overtime working is a sensitive indicator of cyclical pressures in the economy. When demand falls, employers' normal first reaction is to reduce overtime hours before cutting back on employment. Since employment has fallen dramatically during this recession, one would expect an even more dramatic decline in overtime hours. Fig. 2 plots overtime hours in Scotland for the period. There was a substantial fall in overtime hours worked in Scottish manufacturing industry from a peak of 1,593,000 hours in the first quarter 1977 to 835,000 hours in the first quarter 1981. A slight increase in overtime occurred during the remainder of the year and this, along with the stabilisation of output over the same period, has been taken by many commentators to indicate that some tightening of the condition of the labour market can be expected during 1982.

Perhaps the most dramatic indicator of the slackness of the labour market during 1981, however, was the substantial decline in industrial disputes. In the period 1978 to 1980, an average of 1,874 thousand

FIGURE 2 OVERTIME HOURS IN SCOTLAND
THOUSANDS



working days were lost each year as the result of industrial stoppages. During the first half of 1981, working days were being lost at the rate of 240 thousand per year, a massive reduction in the incidence of industrial action. As well as the fear of unemployment acting as a damper on union militancy, there were probably two other factors which contributed to this decline. Firstly, the present government has made it clear that it has no wish to intervene in industrial disputes. Without the likelihood of such intervention to bring about some sort of compromise, the process of industrial action becomes more risky: unions have been unwilling to enter into costly disputes when their outcome has become increasingly uncertain. Secondly, in the absence of an incomes policy, the number of disputes which have arisen from complaints about relative wage differentials has also dropped sharply.

Many of the unions based in the manufacturing sector have witnessed a rapid dwindling of their membership as a result of the recession. Not only will this weaken their financial position and therefore their ability to conduct prolonged disputes; it will also undermine their

political power since size of membership is normally a key factor in union politics.

Relative to the rest of Great Britain, Scotland suffered a slightly larger drop in total employment during 1981. In Scotland the reduction was 4.8% as against the GB figure of 4.3%. Only Wales and the West Midlands fared worse, the latter losing a staggering 5.8% of its workforce during a single year. The manufacturing sector declined at the same rate of 6.4% in Scotland as in the rest of GB. The West Midlands paid the price for the lack of diversity in its manufacturing industries: employment in this sector fell by 8.2% in the twelve months to December 1981. The recession has weakened the demand for labour throughout Great Britain. Though Scotland has fared slightly worse than average in some sectors, its relative performance has not been as bad as in many previous recessions. As we shall see later, this conclusion is also borne out by the unemployment statistics. The diversification away from the manufacturing sector in general and from Scotland's traditional heavy industries in particular which took place throughout the sixties and seventies have rendered its economy less sensitive to cyclical fluctuations.

Labour Supply

The supply of labour is normally defined as the number of people who are presently participating in the labour market. Participating is taken to mean that the individual is either employed, self-employed or unemployed but willing to work. When there is no market clearing wage it is difficult to precisely define the numbers unemployed: when offered a sufficiently high wage nearly everyone will be prepared to enter the labour market. The normal practice is to let the unemployed define themselves either through the population census or by joining the unemployment register.

During this recession there have been two opposing forces at work on the supply of labour. Firstly, when the labour market is very weak, unemployment durations extend (see Unemployment section). Some individuals who experience such long periods of unemployment gradually lose their attachment to the labour force and come to regard themselves as no longer part of it. Traditionally this effect is felt to be strongest for women, but during this recession the evidence suggests that both sexes have been affected. Many men are now retiring early. To quote from a recent analysis by the Department of Employment⁽¹⁾

"Among men, the proportions economically active in the age groups on both sides of the normal retirement age fell dramatically in the second half of the 1970's. For example, in 1975 about 25% of all men aged 65-69 were economically active as were some 85% of those aged 60-64. Today these proportions are thought to have fallen to only about 13% and 70% respectively. Falls on this scale over such a short period are unprecedented. High unemployment and the depth of the current recession have undoubtedly caused some to leave the workforce earlier than they would otherwise have done."

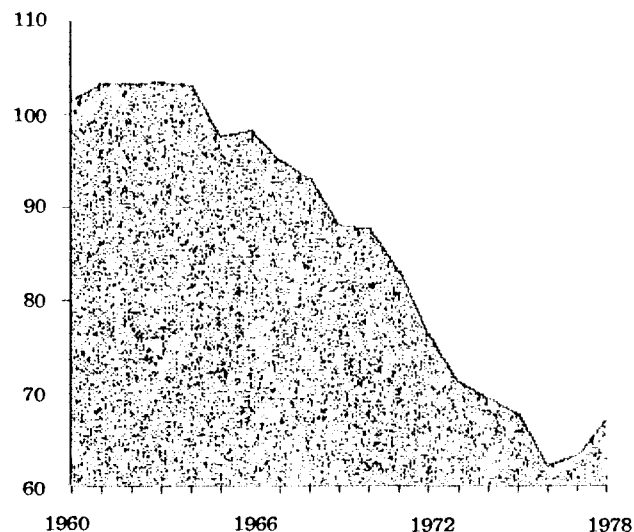
These dramatic reductions occurred in Great Britain as a whole: in Scotland, a similar decline was evident, with the proportion of economically active males aged over 65 falling by more than 50% between 1971 and 1981. The number aged over 60 who were active in the labour market fell by some 57 thousand in the same period. Such a large reduction will have had a considerable effect on the balance of supply and demand in the market and inevitably exerted a downward pressure on the level of unemployment. It is difficult to predict whether this effect will be reversed when the labour market picks up. Having become accustomed to long periods of leisure, older workers may decline offers to return to the labour market because of the disruption it would cause to their lifestyle.

The second major influence at present acting on the supply of labour is the large inflow of young workers. The number of such entrants is more or less predetermined by the number of births which occurred sixteen to twenty one years previously. The vast majority of young people enter the labour market between the ages of sixteen and twenty one, the precise age depending on the date at which they decide to leave the educational system.

Fig. 3 shows the number of births in Scotland over the period 1960 to 1978. It clearly demonstrates the peak which occurred in the birth rate in the early sixties and the subsequent dramatic reductions. Unfortunately, the labour market is now experiencing the same 'bulge' of new entrants at a time when the demand for labour is extremely weak.

These two effects, mainly discouraged workers leaving the labour supply and new entrants causing it to expand, have resulted in a rough constancy of the total amount of available labour in recent years. A crude estimator of the total supply of labour can be constructed by adding together total employment and unemployment. This total remained

FIGURE 3 BIRTHS IN SCOTLAND - THOUSANDS - 1960-1978

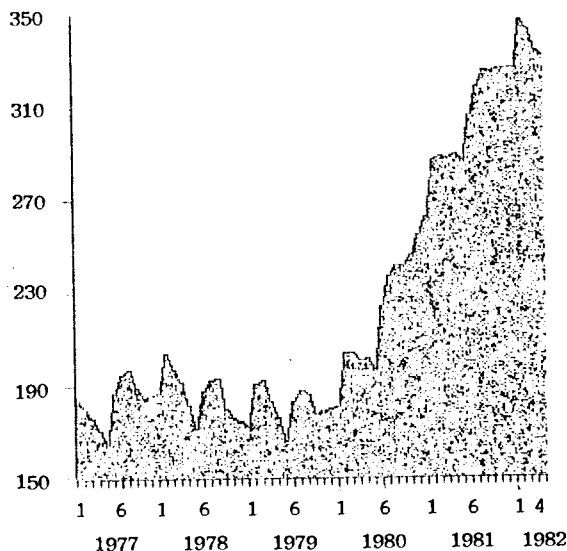


fairly stable between 1978 and 1980 but exhibited a slight fall of 20 thousand in 1981, entirely as a result of a fall in male participation. In the future, the problem of large numbers of new entrants to the labour supply will lessen in importance. Yet the Department of Employment still expects an increase of some 57 thousand in total labour supply between 1981 and 1986. Their argument is that the proportion of middle-aged females active in the labour market has not yet peaked. Already, Scotland has one of the highest female participation rates (49.1%) in Great Britain which in turn has one of the highest rates in Europe. A further increase to 50.3% is expected by 1986.

Unemployment

Throughout 1981 the supply of labour exceeded the demand. The result was a continuing high level of unemployment. The underlying trend was still upward and in June 1981 Scottish unemployment exceeded 300 thousand for the first time in the post-war era. This represented two out of every fifteen workers. The path of unemployment during the last five years is shown in Fig.4.

FIGURE 4 TOTAL UNEMPLOYMENT IN SCOTLAND - 1977-1982
THOUSANDS



With the government continuing to give precedence to the fight against inflation, there was no attempt to stimulate the level of demand and hence alleviate the immediate unemployment problem. This policy stance was a complete contrast to the Keynesian post-war orthodoxy. The underlying rationale was that in reality the government can do little to affect the long-run level of unemployment even if it can offer short-term palliatives. If labour markets are competitive and workers realistic, then a reduction of government involvement in the economy should not affect the underlying level of unemployment. This is the underpinning of the present policies. Both the exhortation to workers to recognise the realities of the market place and the attempt to reduce the monopoly power of trade unions are consistent with this strategy.

Yet even though some workers have undoubtedly priced themselves out of employment, it is clear that even more have lost their jobs because of a lack of effective demand. There is also a growing pessimism that the present unemployment problem is not simply a short-term difficulty. None of the reputable economic forecasters expect unemploy-

ment in the UK to drop below 2.5m in the next two years. Most of the longer-term projections are equally pessimistic. Such an outcome cannot be accommodated by the present government's framework of understanding: neither does it appear that the traditional Keynesian recipes would have much effect. Recent simulations by the National Institute of Economic and Social Research show that a typical Keynesian reflation would not make a significant impact at present levels of unemployment.

Success in combating present unemployment levels may only come about through direct labour market intervention. For such intervention to bear fruit, a necessary precondition is an understanding of the present structure of unemployment. To this we now turn.

Firstly, the majority of the unemployed are male. During 1981 in Scotland, there were at least two unemployed males for each female. Male unemployment rates averaged around 15% whereas the female rate was only about 10%. There are two major reasons for this difference. Firstly, as noted earlier, most of the industries which have declined rapidly during this recession have predominantly employed males. Secondly, again as mentioned previously, females in general are not so committed to the labour market as are males. They have a much higher propensity to withdraw completely when their prospects deteriorate. Although they might be prepared to accept a suitable job offer, they will be deemed to have withdrawn from the labour market if they do not register as being unemployed.

Secondly, most of the unemployed are manual workers. In December 1981, 58.8% of the unemployed were either general labourers or belonged to other manual occupations. Only 7.5% were managerial and professional workers.

The prospects for manual workers are bleak. Manual labour in third world countries is considerably cheaper than in the UK and technical innovations seem constantly to be aimed at reducing the manual input to given tasks.

TABLE 2 UNEMPLOYMENT IN SCOTLAND BY OCCUPATION,
DECEMBER 1981

| OCCUPATION | No. UNEMPLOYED* | % OF TOTAL UNEMPLOYED |
|-------------------------------|-----------------|-----------------------|
| Managerial, Professional | 22,735 | 7.5 |
| Clerical and Related | 34,250 | 11.2 |
| Other Non-Manual Occupations | 21,133 | 6.9 |
| Craft and Similar Occupations | 47,204 | 15.5 |

TABLE 2 cont'd.

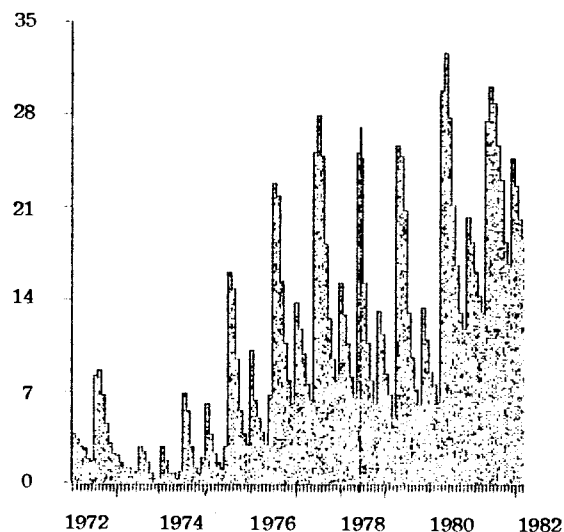
| OCCUPATION | No. UNEMPLOYED* | % OF TOTAL UNEMPLOYED |
|--------------------------|-----------------|-----------------------|
| General Labourers | 103,333 | 33.9 |
| Other Manual Occupations | 75,993 | 24.9 |
| All Occupations | 304,648 | 100.0% |

*Unemployed at Employment Offices

Source: Department of Employment

Unemployment also is striking the young with disproportionate severity. In January 1982, 35% of unemployed Scottish males were aged under 25, and 51% belonged to the much larger group aged 25-54. For females, the age differentiation was even more marked, with 51% of the total being aged under 25 and 44% in the age group 25-54. Another indication of the heavy incidence of unemployment of young people is given by the statistics of school leavers unemployed (see Fig. 5). The graph shows clearly the rising trend in unemployment amongst school leavers and the peaks in July and December each year which result from the vagaries of the Scottish school-leaving system. Clearly many children spend longer on the dole than is necessary because their entry into the labour market is bunched around two particular months of the year.

FIGURE 5 UNEMPLOYED SCHOOL LEAVERS -
THOUSANDS - 1972-1982



The government has been responsive to the problems of the young unemployed, devoting to them a very large proportion of the total resources earmarked for the jobless. During 1981, the Manpower Services Commission and the Department of Employment operated six 'Special Employment and Training Measures', all of them designed to alleviate the problem of excess supply in the labour market.

These schemes are:

(1) Temporary Short-time Working Compensation Scheme

This scheme was designed to encourage employers to use short-time working rather than declare redundancies. Firms who participate are eligible for 9 months support during which they are paid 50% of the wages normally paid to staff. Numbers involved in this scheme tended to decline during 1981, as the firms who initially had joined the scheme became ineligible.

(2) Job Release Scheme

This scheme is designed to compensate workers who decide to retire early and give their job to someone from the unemployment register. Married persons are paid £50.50 per week and single persons £40.

(3) Youth Opportunities Programme

Perhaps the best known of the special schemes, YOP provides a range of training courses and work experience schemes for unemployed young people. A wide range of types of work and training are encompassed by the scheme. Participants are paid a weekly tax free allowance of £23.50.

(4) Community Industry

This scheme is operated by the National Association of Youth Clubs and provides jobs for disadvantaged young people. Working mainly on community projects, the participants are financed by a grant to the NAYC.

(5) Community Enterprise Programme

Replacing the Special Temporary Employment Programme (STEP), this scheme is aimed at providing temporary employment for the long-term unemployed. Those aged 25 years and over must have been unemployed for over 12 months to be eligible, while those aged 18-24 must have spent 6 months on the dole.

(6) Training for Industry

This programme is designed to assist where normal industrial training schemes fall short of requirement. Grants are given to employers to take on apprentices and trainees additional to their normal quota.

The numbers engaged in the various special measures at the end of 1981 are shown in Table 3 below. Clearly the Youth Opportunities Programme is numerically the most important of the Special Training Measures and will have a significant effect on the recorded level of unemployment. The overall reduction in unemployment caused by the schemes

TABLE 3 SPECIAL EMPLOYMENT AND TRAINING MEASURES

SCOTLAND: DECEMBER 1981

| Scheme | Number |
|--------|--------|
| TSTWCS | 1,773 |
| JRS | 4,386 |
| YOP | 30,000 |
| CI | 1,487 |
| CEP | 5,010 |
| TI | 1,590 |

depends on a number of factors: some participants in the schemes might have been picked up by private employers anyway: some will be used by employers in place of normal workers: some schemes will cause unemployment elsewhere by improving the trading position of some firms vis-à-vis their competitors. Together, these factors imply that the special measures will not cause a one-for-one reduction in measured unemployment. Recent estimates⁽²⁾ from the Scottish Office by Walker suggest that during the period January to October 1981, when there were, on average, 71 thousand supported by the special measures, the net effect on measured unemployment was to reduce it by 41 thousand. This may be a slightly conservative figure, reflecting perhaps the government's wish to dissuade commentators from adding the numbers on these schemes to the registered unemployed in order to estimate the 'true' or 'underlying' level of unemployment. Nevertheless, such a calculation is undoubtedly simplistic: the true effect of the special measures on the level of unemployment is the result of many complex economic interactions.

The impression that the special measures are merely palliatives has become fixed in the public mind. Though the Department of Employment and Manpower Services Commission have improved them considerably since the early days of the Job Creation Projects, this view is very difficult to dislodge. Some of the young unemployed directly affected by the schemes also regard them as inadequate. Yet on the whole, the unemployed have been strangely muted during the recession and are clearly lacking an effective political voice.

The distribution of resources amongst the unemployed is also clearly the result of political bargaining. Again, the unemployed themselves do not seem to have actively participated in striking this bargain. There seems to be a tacit acceptance that the bulk of assistance should be directed at the young unemployed.

This bias must come at the expense of older workers who are likely to have a more extensive range of commitments and responsibilities than the young. These commitments tend to mean that older workers are less mobile, both geographically and occupationally. Consequently, the older the worker the longer his or her spell of unemployment is likely to be. Figures on unemployment duration, shown below in Table 4 confirm this view.

TABLE 4 PERCENTAGE DISTRIBUTION OF UNEMPLOYMENT
DURATION BY AGE (MALES) SCOTLAND, JANUARY 1982

| Duration | Age | | |
|--------------------|----------|-------|-------------|
| | Under 25 | 25-54 | 55 and over |
| up to 6 months | 23.2% | 15.8% | 11.6% |
| 6 months to 1 year | 52.8% | 46.8% | 45.6% |
| 1 year and above | 24.0% | 37.3% | 42.9% |

Source: Department of Employment Gazette

Less than a quarter of unemployed Scottish males aged under 25 had been jobless for more than a year whereas 43% of those aged over 55 were in this state. The older worker, unemployed for a considerable period of time, is a growing problem but one which has not received much attention from policymakers. Disillusionment and despair at the difficulty of finding new jobs have led many of them to accept the notion that they will never again be fully employed. Thus they withdraw from the labour force, taking early retirement by default rather than choice. Psychological and social problems tend to be associated with this pattern of behaviour and their effects spread beyond the individual immediately concerned to his or her wider family group.

There is no objective way of comparing the harm which unemployment causes to different groups in the population. The distribution of resources amongst the unemployed will therefore depend entirely on the political process. The present arrangements, which favour the young, seem to have arisen through some perceived sentiment of the need to help this group. Until a more responsive political mechanism can be established to assist the unemployed it seems that aid will continue

to be extended in this somewhat ad hoc fashion.

The distribution of unemployment within Scotland did not change radically during 1981, though there were some small but significant differences from the overall trend. The most obvious 'outlier' was the Shetlands, where unemployment rose by 60% between December 1980 and December 1981 against an overall Scottish increase of 24.3% (see Table 5). Such a small area is, of course, subject to wide fluctuations as the result of expansion or contraction at individual plants. Thus the completion of the Sullom Voe project and the consequent 1,250 redundancies has led to a quite severe reduction in employment opportunities in the Shetland labour market.

Amongst the larger regions, there was some narrowing of unemployment rate differentials during 1981. Central Region, the Lothians, Grampian Region and the Borders, all began 1981 in a slightly favourable position relative to the rest of Scotland. Yet unemployment grew more rapidly in these areas, bringing their unemployment rate closer to the overall Scottish rate. In contrast, in Strathclyde, which accounts for around 60% of all unemployment in Scotland, the increase during 1981 was somewhat lower than in Scotland as a whole. Thus, although the recession does seem to be particularly severe amongst certain industries, it does not appear to be selective in a spatial sense. Perhaps this is because the industries which have been particularly hard-hit e.g. construction, have a reasonable presence in all the Scottish regions. Perhaps it is because supply-side factors, such as the increase in young labour-market entrants, have been present in all regions. As yet, it is difficult to know which is the most important factor in narrowing the interregional unemployment differentials.

It is also worth noting, however, that some important regions did not follow this process of narrowing regional differentials. Unemployment rates in Highland and Tayside regions were significantly below the Scottish rate at the beginning of 1981. During the year they grew less rapidly than in Scotland as a whole (this was particularly true in Tayside).

While there is a possibility that the success of these regions will not be maintained (for example as a result of the closure of the Invergordon smelter in the Highland region), it is interesting to note that these two regions, which had previously ranked amongst the worst

TABLE 5 UNEMPLOYMENT IN THE SCOTTISH REGIONS

DECEMBER 1980 AND DECEMBER 1981

| | DECEMBER 1980 | DECEMBER 1981 | % INCREASE |
|---------------------|-----------------|-----------------|------------|
| SCOTLAND | 261,767 (11.6%) | 325,290 (14.4%) | 24.3 |
| Western Isles | 1,440 (17.4%) | 1,752 (21.1%) | 21.7 |
| Strathclyde | 153,521 (13.9%) | 186,126 (16.9%) | 21.2 |
| Central | 12,584 (10.6%) | 16,422 (13.9%) | 30.5 |
| Dumfries & Galloway | 6,435 (11.6%) | 7,896 (14.1%) | 22.7 |
| Highland | 8,431 (10.7%) | 10,281 (13.0%) | 21.9 |
| Tayside | 20,008 (11.6%) | 23,644 (13.7%) | 18.2 |
| Fife | 14,248 (10.4%) | 17,892 (13.1%) | 25.6 |
| Orkney | 520 (8.4%) | 692 (11.2%) | 33.1 |
| Lothians | 29,971 (8.7%) | 41,184 (12.0%) | 37.4 |
| Borders | 2,473 (6.3%) | 3,291 (8.4%) | 33.1 |
| Grampian | 11,775 (6.3%) | 15,561 (8.4%) | 32.2 |
| Shetland | 343 (3.9%) | 549 (6.2%) | 60.1 |

unemployment areas in Scotland, are now amongst the least badly affected by this problem.

Often, regional aid and assistance to particular areas is based on indicators of poverty or deprivation. Frequently, unemployment rates are included amongst the most important of these indicators. Yet, at a time when unemployment is increasing rapidly, regional unemployment differentials are also apt to change with greater rapidity than previously. Thus, areas earmarked for assistance can suddenly appear not to have such a serious unemployment problem as was thought when policy was initiated. This obviously creates a dilemma for policymakers. Having invested resources in alleviating the problems of one area, there will be considerable costs attached to switching attention to some different region. Until regional differentials stabilise once more, these costs are likely to be so high as to outweigh any benefits from such a change.

The re-ordering of unemployment rate relatives is apparent within the UK as a whole, as well as within Scotland. Table 6 shows unemployment levels and rates in December 1980 and December 1981 in all the UK regions. Again, there is an obvious convergence in unemployment rates. Scotland, Wales, the North and Northern Ireland, normally considered the most depressed of the UK regions, all experienced increases in unemployment well below the national average. In contrast, the South East and West Midlands, with increases of 42.5% and 40.1% respectively, are rapidly worsening relative to the rest of the UK. This is most

graphically illustrated by considering the case of Scotland and the West Midlands, which also brings out the problem of switching mentioned above. In 1971, the unemployment rate in the West Midlands, at 2.9%, was exactly half of that in Scotland: by the end of 1981 the unemployment rate in the West Midlands exceeded that in Scotland by 0.3%.

TABLE 6 UNEMPLOYMENT BY REGION - NOT SEASONALLY ADJUSTED
AND INCLUDING SCHOOL LEAVERS ('000's)

| | DECEMBER 1980 | DECEMBER 1981 | % CHANGE |
|------------------|----------------|----------------|----------|
| South East | 469.7 (6.2) | 669.1 (8.8) | + 42.5 |
| East Anglia | 53.5 (7.4) | 70.6 (9.8) | + 32.0 |
| South West | 142.9 (8.6) | 180.4 (10.7) | + 26.2 |
| West Midlands | 243.7 (10.4) | 341.6 (14.7) | + 40.1 |
| East Midlands | 133.6 (8.3) | 172.8 (10.6) | + 29.3 |
| Yorks & Humber | 208.9 (9.9) | 271.5 (12.9) | + 30.0 |
| North West | 322.4 (11.3) | 417.8 (14.6) | + 29.6 |
| North | 175.9 (12.7) | 213.9 (15.8) | + 21.6 |
| Wales | 138.0 (12.7) | 168.9 (15.6) | + 22.4 |
| Scotland | 261.8 (11.6) | 325.3 (14.4) | + 24.3 |
| Great Britain | 2,150.5 (9.1) | 2,832.0 (12.0) | + 31.7 |
| Northern Ireland | 93.8 (16.3) | 108.7 (18.9) | + 15.9 |
| United Kingdom | 2,244.2 (9.3) | 2,940.7 (12.2) | + 31.0 |

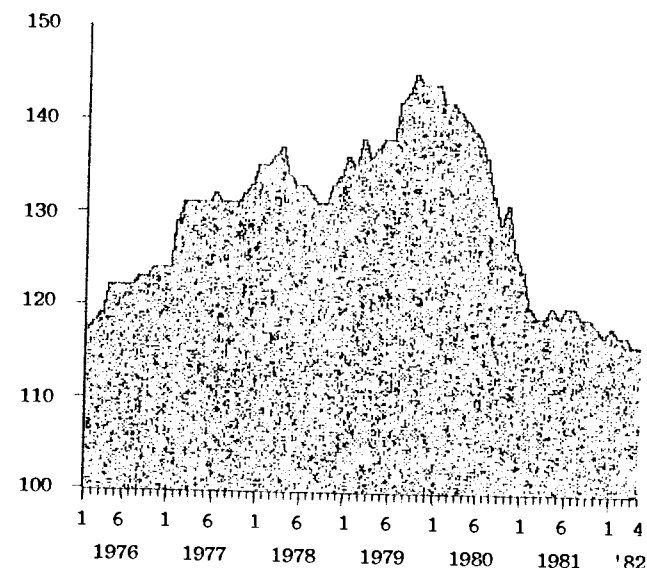
Scotland's relative improvement can also be assessed by consideration of the ratio of Scottish and UK unemployment rates (seasonally adjusted) as shown in Figure 6.

With unemployment in Scotland growing less rapidly than the UK, there was a substantial reduction in the relative ratio during 1981

What lies behind this apparent improvement in the fortunes of the depressed areas relative to the rest of the country? Part of the explanation must come from the nature of the present recession. The traditional industries of these regions had been continually cut back by previous downturns in demand: with a much smaller manufacturing base, the depressed areas had less to lose. Further, as a result of government intervention and the activities of development agencies, they were able to create a more diversified manufacturing sector. The present recession, which hit the engineering industries very severely, left those areas still dependent on this sector very exposed. Half of the 120,000 manufacturing jobs lost in the West Midlands during 1981 came from the engineering industries.

The overall unemployment picture in Scotland is grim: currently youth unemployment is regarded as the major concern, but in the next

FIGURE 6 SCOTLAND/UK UNEMPLOYMENT RELATIVE (UK = 100)

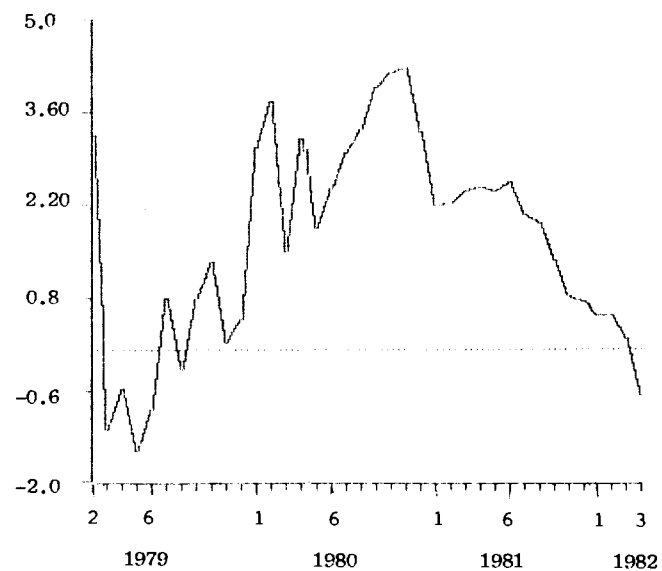


few years this may be superceded by the growing difficulties associated with long-term unemployment.

Within Scotland there has been some convergence of unemployment rates toward the average and some switches in the ranking of regional unemployment rates. This is also true in the UK as a whole, with Scotland tending to switch down the ranking, implying that unemployment is no longer so severe relative to the rest of the UK.

There are some grounds to hope that the worst of the increase in unemployment occurred during 1981. There has been some slowdown in the monthly increases in the number on the register (see Figure 7). Thus the rise during 1982 may not be so dramatic as occurred in 1981, and there may even be a levelling off in early 1983. The key long-term question is whether the Scottish labour market will recover the ground lost during the traumatic year of 1981.

FIGURE 7 PERCENTAGE CHANGES IN TOTAL UNEMPLOYMENT
(SEASONALLY ADJUSTED) IN SCOTLAND



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